



COUNTY OF SAN BERNARDINO

SECTION 125 PREMIUM CONVERSION PLAN

Adopted August 12, 1989
Amended May 20, 1991
Amended July 1, 1994
Amended July 28, 2001
Amended July 22, 2003
March 25, 2008

TABLE OF CONTENTS

PART ONE: INTRODUCTION

1.1	Purpose of Plan.....	1
1.2	Purpose of Amendment.....	1
1.3	Plan Status	2
1.4	Status of Benefits	2

PART TWO: DEFINITIONS

2.1	Administrator or Plan Administrator	2
2.2	Benefit Election/Change Form	2
2.3	Change in Status Event	2
2.4	Code or IRC	4
2.5	County.....	4
2.6	Compensation	4
2.7	Dependent	4
2.8	Effective Date	4
2.9	Election Period.....	4
2.10	Employee	5
2.11	Employer	5
2.12	Group Benefit Plans	5
2.13	Open Enrollment.....	5
2.14	Participant.....	5
2.15	Pay Period	6
2.16	Plan.....	6
2.17	Plan Year.....	6
2.18	Qualified Benefit.....	6
2.19	Salary Reduction.....	6
2.20	Spouse	7

PART THREE: PARTICIPATION

3.1	Eligibility	7
3.2	Determination of Eligibility by Administrator	7
3.3	Benefit Election/Change Form	7
3.4	Failure to Elect.....	8
3.5	Election Procedures	8
3.6	Duration of Election.....	9
3.7	Irrevocability of Election.....	9
3.8	Family and Medical Leave Act (FMLA)	11
3.9	Cessation of Participation.....	12
3.10	Reinstatement of Former Participant.....	12
3.11	Automatic Termination of Participation	13
3.12	Contributions.....	13
3.13	Plan Administrator's Discretionary Power over Elections	13

PART FOUR: QUALIFIED BENEFITS

4.1	Qualified Benefits under the Plan.....	13
4.2	Changes by Plan Administrator.....	14
4.3	Maximum Premium Conversion Benefit.....	14

PART FIVE: ADMINISTRATION OF PLAN

5.1	Plan Administrator.....	15
5.2	Examination of Records.....	16
5.3	Reliance on Tables, Etc.....	16
5.4	Disclosure Rights.....	16

PART SIX: AMENDMENT AND TERMINATION OF PLAN

6.1	Amendment.....	16
6.2	Termination.....	17

PART SEVEN: MISCELLANEOUS PROVISIONS

7.1	No Employment Guarantee.....	17
7.2	Limitation on Liability.....	17
7.3	Nonassignability.....	17
7.4	Addresses, Notice, Waiver of Notice.....	17
7.5	Data.....	18
7.6	Mistake of Fact.....	18
7.7	Withholding for Taxes.....	18
7.8	Severability.....	18
7.9	Applicable Law.....	18
7.10	Tax Effects.....	18
7.11	Gender.....	19
7.12	Entire Agreement.....	19
7.13	Headings.....	19
7.14	Plan Funding.....	19

SCHEDULE A	20
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**COUNTY OF SAN BERNARDINO
SECTION 125 PREMIUM CONVERSION PLAN**

PART ONE: INTRODUCTION

1.1 Purpose of Plan

The purpose of this Plan is to permit Employees of the County of San Bernardino (County) to elect between taxable and non-taxable eligible benefits in accordance with IRC Section 125 of the Internal Revenue Code (Code or IRC) and regulations issued pursuant thereto. This Plan permits eligible Employees to pay the cost of Group Benefit Plan coverage for the Employee, Spouse and Dependents by making Salary Reduction contributions to the Plan. The specific provisions of the County's various Group Benefit Plans, as set forth in a plan document(s) or contract(s) or policy(ies) issued by an insurance company and/or a health maintenance organization, shall be considered a part of this Plan and are incorporated herein by reference.

1.2 Purpose of Amendment

A Board of Supervisors (Board) governs the County of San Bernardino. The Board shall duly adopt this amended and restated Section 125 Premium Conversion Plan (Plan). The purpose of the amendment and restatement is to update, clarify and correct the Plan.

- (a) This Amendment will change the "Election Period" definition as defined in Part Two, Definitions, Section 2.9.
- (b) This Amendment will correctly define Dependent in accordance with proposed IRS regulations in Part Two, Definitions, Section 2.7.
- (c) This Amendment will change the Plan's election procedures, Section 3.5.
- (d) This Plan was originally established on August 12, 1989. This amended and restated Plan shall be effective March 25, 2008.

1.3 **Plan Status**

This Plan has been established for the exclusive benefit of Employees, including Employees who are represented by collective bargaining and Employees who are not represented by collective bargaining. Any collective bargaining agreement (Memorandum of Understanding), Salary Ordinance or employment contract requiring the County to offer Group Benefit Plan coverage is expressly incorporated by reference. In the event of any conflict between the terms of such documents and this Plan, the terms of the Plan shall control. The period of enrollment is the Plan Year or such portion thereof that remains from the effective date of an Employee's election to participate.

1.4 **Status of Benefits**

The County believes that this Plan is in compliance with Section 125 of the Internal Revenue Code and that it provides certain benefits to Employees that are tax free pursuant to other provisions of the Code. Any Participant, by accepting benefits under this Plan, agrees to be liable for any tax that may be imposed with respect to those benefits, plus any interest as may be imposed.

PART TWO: DEFINITIONS

The following words and phrases as used herein shall have the following meanings, unless a different meaning is plainly required by the context.

2.1 **Administrator or Plan Administrator**

Administrator or Plan Administrator means the County Human Resources Chief, Employee Benefits and Services Division, who is vested with the responsibility to administer the Plan.

2.2 **Benefit Election/Change Form**

Benefit Election/Change Form means the individual Participant enrollment form(s) approved by the Administrator by which an eligible Employee or Participant enrolls in accordance with Part Three, Participation, and otherwise agrees to a reduction or increase in his or her Compensation to provide funds for the benefits described in this Plan. A Benefit Election/Change Form is the Employee's agreement to a Salary Reduction with the County.

2.3 **Change in Status Event**

Change in Status Event means the events described below and any other events that the Plan Administrator (in its sole discretion) determines to be within prevailing Internal Revenue Service (IRS) guidelines or regulations applicable to IRC Section 125 cafeteria plans, including amendments thereto from time to time, including the

following:

- a) *Legal marital status.* Events that change an Employee's legal marital status, including marriage, death of Spouse, divorce, legal separation or annulment;
- b) *Number of Dependents.* Events that change an Employee's number of Dependents, including birth, death, adoption or placement for adoption;
- c) *Employment status.* Any of the following events that change the employment status of the Employee, the Employee's Spouse, or the Employee's Dependent: a termination or commencement of employment; a strike or lockout; a commencement of or return from an unpaid leave of absence; or a change in work site. In addition, if the eligibility conditions of a cafeteria plan or other employee benefit plan of the employer of the Employee, Spouse, or Dependent depend on the employment status of that individual and there is a change in that individual's employment status with the consequence that the individual becomes (or ceases to be) eligible under the Plan, then that change constitutes a change in employment under this subsection (c) (e.g., if a plan only applies to salaried employees and an employee switches from salaried to hourly-paid with the consequence that the employee ceases to be eligible for the plan, then that change constitutes a change in employment status);
- d) *Dependent satisfies or ceases to satisfy eligibility requirements.* Events that cause an Employee's Dependent to satisfy or cease to satisfy eligibility requirements for Group Benefit Plans coverage on account of attainment of age, student status or any similar circumstance;
- e) *Residence.* A change in the place of residence of the Employee, Spouse, or Dependent that affects eligibility for coverage;
- f) *Entitlement to Medicare or Medi-Cal* (eligibility or loss of eligibility);
- g) *Loss of coverage under a governmental or educational health plan;*
- h) *Significant changes in Group Benefit Plans costs or coverage terms including the addition or elimination of a benefit plan listed on Schedule A;*
- i) *Commencement of or return from a leave of absence provided through the Family and Medical Leave Act (FMLA); and*
- j) *Judgment, decree, or order* resulting from a divorce, legal separation, annulment, or change in legal custody (including a qualified medical child support order as defined in Section 609 of the Employee Retirement Income Security Act of 1974) that requires accident or health coverage for an

Employee's child or for a foster child who is a Dependent of the Employee.

2.4 Code or IRC

Code or IRC means the Internal Revenue Code of 1986, as amended from time to time. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation that amends, supplements or replaces such section or subsection.

2.5 County

County means the County of San Bernardino, including any districts that are governed by the Board of Supervisors.

2.6 Compensation

Compensation means the wages or salary paid by the County to an Employee during a Plan Year prior to any Salary Reduction agreement pursuant to this Plan or other employee benefit plans.

2.7 Dependent

Dependent, for purposes of this Plan, means any person who is a tax dependent of the Employee as defined in Code Section 152, determined without regard to § 152(b)(1), (b)(2), and (d)(1)(B)). For purposes of accident and health coverage for a Dependent to whom Section 152(e) applies (child(ren) of divorced parents), the child is treated as a Dependent of both parents.

2.8 Effective Date

Effective Date for the Plan means the date the Plan was originally established by the County, August 12, 1989. For purposes of this Amendment, it means the date this amended and restated Plan is duly adopted by the Board of Supervisors effective March 18, 2008. For purposes of determining the date employment commences, it means the first regularly scheduled working day on which a new Employee performs an hour of service for the County for Compensation.

2.9 Election Period

Election Period means the period of time that an Employee has to enroll for participation in the Plan or to change an election. For purposes of Open Enrollment, it means the time period designated by the Plan Administrator during which changes can be made for the next Plan Year. For purposes of an Employee who becomes eligible to participate mid-Plan Year (for example, a new hire), it means thirty-one (31) days from the date that the Employee became eligible (for example, the effective date of the new Employee's employment). For purposes of a Change in Status Event, it means thirty-one (31) days from the date of the event that caused the Change in Status Event (or 31 days from the effective date of gain or loss of other employer sponsored group coverage). Elections shall only apply to

Compensation that has not yet been earned at the time of the election unless otherwise allowed under IRC Section 125 and this Plan. Retroactive elections are allowed only for newly hired employees that make an election within thirty (30) days of the hire date and Health Insurance Portability and Accountability Act (HIPAA) qualifying special enrollments (i.e. Birth or Adoption). NOTE: Any event that results in a Dependent becoming ineligible will result in an automatic corresponding change of election under this Plan.

2.10 Employee

Employee means an individual that the County classifies as a common law Employee of the County including Employees of a district that is governed by the County Board of Supervisors. Employee does not include seasonal or temporary workers as classified by the County.

2.11 Employer

Employer means the County of San Bernardino, including districts governed by the County Board of Supervisors.

2.12 Group Benefit Plans

Group Benefit Plans means the health and welfare benefit plan(s) sponsored by the County for its Employees, their Spouses and Dependents that an eligible Employee may wish to pay for through participation in this Section 125 Premium Conversion Plan, including: (1) those benefit plans that provide accident or health benefits through an insurance policy, health maintenance organization (HMO) contract or other benefit plan to the extent such coverage is excludable from income under IRC Section 106; and (2) coverage under a group term life insurance plan to the extent such coverage is excludable from income within the meaning of IRC Section 79. Group Benefit Plans include the medical and dental benefit plans consisting of one or more indemnity plans or HMOs, voluntary term life insurance and accidental death and dismemberment (AD&D) policies that the County maintains for its Employees, their Spouses and Dependents as specified in Schedule A and such other benefits as may be adopted by the Plan from time to time.

2.13 Open Enrollment

Open Enrollment means the time period designated by the Plan Administrator during which changes can be made for the next Plan Year.

2.14 Participant

Participant means an eligible Employee who has enrolled for participation in accordance with Part Three, Participation, to pay for Group Benefit Plans coverage with before-tax Salary Reductions. Participant also includes eligible Employees who elect to receive their full Compensation in cash and who elect to pay for Group

Benefit Plan premium(s) with after-tax income outside of this Plan.

2.15 Pay Period

Pay Period means the fourteen (14) consecutive calendar day period for each pay warrant issued by the County in a calendar year for payroll purposes. There are usually 26 pay warrants issued in a calendar year. Pay warrants for the Pay Period are issued on the second Wednesday following the end of the preceding Pay Period. The County predetermines each Pay Period for the calendar year based on when an Employee is officially scheduled to receive a County pay warrant. For example, the first pay warrant received in a calendar year is for Pay Period 1, the second pay warrant received in a calendar year is for Pay Period 2, etc. The Master Calendar for EMACS Processing, as it is prepared by the County from year to year, is hereby incorporated by reference. The first Pay Period commences on or about mid-December of each year (the first Pay Period for calendar year 2001 commenced on December 16, 2000) and ends on or about mid-December of the succeeding year (the 26th and last Pay Period for 2001 was December 14, 2001). The first Pay Period commences at 12:01 a.m. Saturday and ends at 12:00 a.m. on the second Friday thereafter. Each subsequent Pay Period commences on the succeeding Saturday at 12:01 a.m. and ends at midnight on the second Friday thereafter. Salary Reductions pursuant to this Plan are for premiums due for the Pay Period.

2.16 Plan

Plan means the County of San Bernardino Section 125 Premium Conversion Plan as set forth herein, together with any and all schedules or documents incorporated by reference in or attached hereto.

2.17 Plan Year

Plan Year means that period of time that begins on the first day of Pay Period 16 in one calendar year and ends on the last day of Pay Period 15 in the succeeding calendar year. For example, the 2007-08 Plan Year begins on July 7, 2007, and ends on July 4, 2008.

2.18 Qualified Benefit

Qualified Benefit means any benefit under a specific provision of the Code and authorized for inclusion in the Plan by IRC Section 125 and offered by the County.

2.19 Salary Reduction

Salary Reduction means the applicable premium amount for the Group Benefit Plans elected by a Participant pursuant to Part Three, Participation, by which his or her Compensation is reduced for federal income tax and Social Security tax purposes and, wherever permitted, for state and local income tax purposes which are used to fund this Plan. Salary Reduction amounts shall be considered Employer contributions for purposes of this Plan and IRC Section 125.

2.20 Spouse

Spouse means an individual who is legally married to a Participant within the meaning of the Code.

PART THREE: PARTICIPATION

3.1 Eligibility

A person is eligible to participate in this Plan if the individual is an Employee, as defined in Section 2.10, who is regularly scheduled to work at least 40 hours per Pay Period or be on an approved leave pursuant to the Family and Medical Leave Act. A Participant must also meet the eligibility qualifications specified in the applicable group health plans and the terms of any collective bargaining agreement (Memorandum of Understanding), employee contract or Salary Ordinance governing the Employee's entitlement to Group Benefit Plans coverage.

- (a) All Employees are subject to a Memorandum of Understanding, employee contract or Salary Ordinance, the terms of which are incorporated herein by reference including amendments from time to time.
- (b) Upon meeting the Plan eligibility requirements, an Employee may elect Salary Reduction to pay Group Benefit Plan premiums with before-tax Compensation dollars or elect to pay for such premiums with after-tax Compensation dollars.
- (c) Eligibility requirements for coverage under the Group Benefit Plan are separate from eligibility requirements to participate in the Plan and require separate compliance; satisfaction of requirements to enroll in the Plan for Salary Reduction does not necessarily satisfy eligibility requirements for Employees, Spouses or Dependents for Group Benefit Plans coverage.

3.2 Determination of Eligibility by Plan Administrator

The determination of an Employee's eligibility to participate in the Plan shall be made by the Plan Administrator. The Plan Administrator's decision shall be binding and conclusive on all persons. The Plan Administrator shall notify Employees of their eligibility to participate in the Plan and of the terms of the Plan.

3.3 Benefit Election/Change Form

The Plan Administrator shall make available a Benefit Election/Change Form to Employees at the commencement of Open Enrollment. The Plan Administrator shall provide a newly hired Employee with a Benefit Election/Change Form upon the effective date of employment.

3.4 Failure to Elect

Election of before-tax and after-tax payroll deductions shall be made within thirty-one (31) days of the *initial* eligibility period in a manner and on such forms designated by the Human Resources Chief, Employee Benefits and Services Division. Failure to timely submit appropriate paperwork will result in after-tax deductions for all eligible premiums for the remainder of the Plan Year.

3.5 Election Procedures

Employees eligible to participate in the Plan may elect either to participate in the Plan and have their coverage under the Group Benefit Plans paid for through Salary Reduction with before-tax Compensation dollars; or they may elect not to participate, whereas payment of Group Benefit Plans premiums shall be their responsibility with after-tax Compensation dollars.

- (a) Open Enrollment Eligibility Period - If the Employee is making a change to their Plan election; the change must be made in a manner and on such forms designated by the Human Resources Chief, Employee Benefits and Services Division. If no change in election occurs, the election from the previous Plan Year will remain in effect.
- (b) Mid-Year Eligibility Period - An Employee who first becomes eligible to participate in the Plan mid-Plan Year including, but not limited to, newly hired Employees, Employees who satisfy the 40 hour per Pay Period requirement, Employees who satisfy other Group Benefit Plans eligibility requirements, or Employees who have a Change in Status Event must submit a properly completed Benefit Election/Change Form to the Plan Administrator within thirty-one (31) days from the date the Employee becomes eligible to participate in this Plan or the date of the Employee's Change in Status Event. Failure to timely submit the required paperwork will result in after-tax deductions for all eligible premiums for the remainder of the Plan Year. However, if the last day of the 31 days falls on a holiday or weekend, the enrollment period shall be extended to the next working day. Note: The Plan Administrator has the authority to waive the 31-day notice if the Plan Administrator determines the circumstances warrant the waiver.
- (c) Separate elections shall be made for each Group Benefit Plan (medical, dental, and life insurance).
- (d) All elections during the Plan Year shall become effective beginning with the Pay Period that immediately follows the date that the properly completed Benefit Election/Change Form is received by the Plan Administrator during

the applicable Election Period. Elections shall only apply to Compensation that has not yet been earned at the time of the election unless otherwise allowed under IRC Section 125, this Plan, and the terms of the Group Benefit Plans.

3.6 Duration of Election

Elections shall remain in effect for the remainder of the Plan Year.

3.7 Irrevocability of Election

Elections are irrevocable for the remainder of the Plan Year. A Participant cannot change his/her election to participate in the Plan, Salary Reduction amounts or choice of Group Benefit Plans except as allowed for a Change in Status Event or other defined revocation event under IRC Section 125 and applicable federal regulations, subject to the terms of the applicable Group Benefit Plans. The revocation of the election and the new election shall be on account of and consistent with a Change in Status Event as permitted under the Internal Revenue Code or applicable regulations. A Participant must separately comply with the terms of the applicable Group Benefit Plans for corresponding changes in coverage; enrollment changes permitted by the Plan are separate from the requirements for allowing changes in the Group Benefit Plan coverage. No election change shall be retroactive except as required under HIPAA or other applicable law.

- (a) An Employee may revoke an election and make a new election to participate in the Plan to adjust Salary Reductions for changes resulting from Change in Status Events including, but not limited to:
 - (1) Special enrollment rights under the HIPAA, Code Section 9801(f), entitle the Employee, Spouse or Dependent to revoke the prior election of a Group Benefit Plan and corresponding Salary Reduction and to designate a new election of a Group Benefit Plan and corresponding Salary Reduction consistent with HIPAA. (For example, an Employee may revoke an election and make a new election if Group Benefit Plan coverage was declined for an Employee, Spouse or Dependent because of other coverage and that other coverage was lost due to a change in marital status, termination of employment, exhaustion of the maximum COBRA period, or a new Dependent through marriage, birth or adoption);

- (2) Cancellation of Group Benefit Plans coverage of a Spouse due to a change in legal marital status (for example, divorce). NOTE: Any event that results in a Dependent becoming ineligible will result in an automatic corresponding change in election under this Plan;
- (3) Cancellation of Group Benefit Plans coverage of a Dependent due to a change in the Dependent's loss of status as a Dependent (for example, attains the age of majority as defined in the applicable Group Benefit Plans);
- (4) Cancellation of Group Benefit Plans coverage or re-enrollment because of a change in employment status (for example, the Employee's hours are reduced to less than 40 hours per Pay Period or return to full-time);
- (5) Cancellation of Group Benefit Plans coverage because the Employee, Spouse or Dependent changes residence (for example, they relocate outside the HMO service area);
- (6) Cancellation or decrease of Group Benefit Plans coverage of an Employee, Spouse or Dependent because of entitlement to Medicare or Medi-Cal;
- (7) Cancellation or decrease of Group Benefit Plans coverage of an Employee, Spouse or Dependent because of enrollment under other available group coverage (for example, under the Spouse's employer's group health plan as a result of a change in employment status);
- (8) Continuation of Group Benefit Plans coverage of a Spouse or Dependent due to COBRA or state law that allows coverage to be continued because of a Change in Status Event (for example, divorce);
- (9) An increase or decrease in the premiums during the Plan Year in which event Salary Reduction may be adjusted accordingly by the Plan Administrator;
- (10) Significant increase in the premiums during the Plan Year in which event the Employee may either elect to pay the increase or revoke the applicable Group Benefit Plan and elect a similar Group Benefit Plan;

- (11) Significant decrease or reduction in the overall coverage in which event the Employee may elect to revoke the applicable Group Benefit Plan and elect a similar Group Benefit Plan;
 - (12) Addition or elimination of a Group Benefit Plan during the Plan Year that is similar to the Group Benefit Plan elected by the Employee, then the Employee may elect the newly added Group Benefit Plan or elect a new Group Benefit Plan to replace the eliminated Group Benefit Plan; or
 - (13) Addition of Group Benefit Plans coverage for a Dependent due to a judgement or decree or court order resulting from a divorce, separation or change in legal custody including a qualified medical support order.
- (b) Written notice of a Change in Status Event must be provided to the Plan Administrator by submitting a properly completed Benefit Election/Change Form within thirty-one (31) days of the qualifying event(s). Actual receipt by the Plan Administrator shall be the date of submission. As a condition of changing any election, the Employee must also provide verifying documentation that the Plan Administrator may require. A Participant's election shall be deemed to have changed automatically as of the date of an event that causes loss of eligibility.
 - (c) Election changes because of a Change in Status Event shall be effective in accordance with the terms of this Plan, IRC Section 125, federal regulations and Group Benefit Plans contracts, but no later than the first Pay Period beginning after the Benefit Election/Change Form is properly completed and timely returned to the Plan Administrator.
 - (d) The Plan Administrator shall have the sole discretion to interpret the Plan and apply the Internal Revenue Code or regulations in making the determination of whether (and when) a Change in Status Event has occurred that entitles the Employee to make an election change, which shall be binding on the Participant.
 - (e) The Plan Administrator shall have the sole discretion to implement rules or regulations for the administration of this Plan that are deemed necessary or advisable to comply with the requirements of the Internal Revenue Code.

3.8 Family and Medical Leave Act (FMLA)

An Employee taking leave under the Family and Medical Leave Act (FMLA) may revoke an existing election of Group Benefit Plans coverage and a corresponding

Salary Reduction under the Plan or make such other election for the remaining portion of the period of coverage as may be provided for under the FMLA. The Participant may maintain Group Benefit Plans coverage on the same terms and conditions as if the Participant were an active Employee while on leave and shall pay for coverage with: (1) after-tax dollars by sending monthly payments to the Employer; (2) before-tax dollars by pre-paying the premium from Compensation for the expected duration of the leave through a special Salary Reduction election arranged in advance with the Plan Administrator; (3) or another acceptable arrangement between the Plan Administrator and the Participant as permitted by IRC Section 125 as determined by the Plan Administrator in its sole discretion which shall be binding on the Participant. If an Employee's participation in the Plan ends because of leave under the FMLA, the Employee shall be permitted to make an election to participate upon return on the same basis as before the leave or as otherwise required by the FMLA.

3.9 Cessation of Participation

A Participant will cease to be a Participant, and his or her election(s) under this Plan will be automatically revoked as of the earlier of:

- (a) The date on which the Plan terminates;
- (b) The date on which he or she ceases to be eligible to participate under Section 3.1;
- (c) The date on which the Participant revokes an election to participate due to a Change in Status Event under Section 2.3; or
- (d) The date on which the Plan Administrator determines that the Participant ceases to pay premiums due on a before-tax basis under the Plan or is deemed to cease paying such premium by virtue of termination of employment.

3.10 Reinstatement of Former Participant

Except as otherwise provided in the Plan, and subject to the Plan Administrator's discretion to interpret and administer the Plan, a former Participant who, during the same Plan Year, is rehired or subsequently meets the eligibility requirement of Section 3.1 above, shall be entitled to participate in the Plan as follows:

- (a) If eligibility is obtained within thirty-one (31) days from which participation in the Plan previously terminated, the Participant must retain the same elections of Qualified Benefits that were in effect prior to said termination for the remainder of the Plan Year; or

- (b) If eligibility is obtained thirty-two (32) days or more from which participation previously terminated, the Participant is entitled to participate in the Plan and shall be allowed to make a new election.

3.11 Automatic Termination of Participation

Participation in this Plan is contingent upon the ability to elect between taxable and non-taxable Qualified Benefits. Inability to participate on a before-tax basis due to termination of employment and/or termination of payroll deduction(s) shall be deemed a failure to pay premiums or contributions due under the Plan. The Plan Administrator may determine cessation of participation prior to the Participant's separation from service, and such determination will result in the Participant's automatic cessation of participation under Section 3.9 of the Plan.

3.12 Contributions

Salary Reductions shall be deemed Employer contributions for purposes of this Plan and IRC Section 125.

3.13 Plan Administrator's Discretionary Power over Elections

The Plan Administrator may at any time require any Participant to amend the amount of his or her Salary Reduction for a Plan Year if the Plan Administrator determines such action is necessary or advisable to: (1) satisfy any Code requirements applicable to this Plan; (2) to prevent any Employee from having to recognize more income for federal income tax purposes from the receipt of benefits under this Plan than would otherwise be recognized; (3) maintain the qualified status of benefits received under this Plan; or (4) satisfy Code non-discrimination requirements or other limitations applicable to the Plan.

PART FOUR: QUALIFIED BENEFITS

4.1 Qualified Benefits under the Plan

Eligible Employees may enroll themselves, their eligible Spouses and their eligible Dependents for Group Benefit Plans coverage. Employees eligible to participate in the Plan may elect either to participate in the Plan, in which event their coverage under the Group Benefit Plans shall be paid for through Salary Reduction with before-tax Compensation dollars, or they may elect not to participate, in which event payment of Group Benefit Plan premiums shall be their responsibility with after-tax Compensation dollars. The benefit under this Plan is the use of Compensation dollars on a before-tax basis to pay for Group Benefit Plans premiums. The Plan shall not be responsible for benefits provided under the Group Benefit Plans which

are the sole responsibility of the insurer, HMO or other benefit provider listed on Schedule A. By electing to participate in this Plan, an Employee may choose to elect non-taxable Qualified Benefits specified below pursuant to IRC Section 125 and related provisions up to IRS permitted maximums during a Plan Year. Qualified Benefits for eligible Employees, Spouses and Dependent(s) include the following, and such other benefits as may be adopted by the Plan.

- (a) **Health Benefits.** The County maintains a choice of medical benefit plans (consisting of one or more indemnity plans and health maintenance organizations) and dental benefit plans (consisting of one or more indemnity and prepaid plans). Each Participant may elect to pay for coverage under one of the medical benefit plans and one of the dental plans listed on Schedule A on a before-tax basis for the Participant, Spouse and/or Dependent(s) by properly completing and timely submitting the Benefit Election/Change Form to the Plan Administrator.
- (b) **Welfare Benefits.** The County maintains a choice of Employee term life insurance and accidental death and dismemberment (AD&D) plans. A Participant may elect one of the term life insurance plans listed on Schedule A for coverage of the Employee only and/or the AD&D plan listed on Schedule A for coverage of the Employee, Spouse and/or Dependent(s) on a before-tax basis through Salary Reduction. Premiums for voluntary term life insurance above \$50,000 shall be paid from the Employee's taxable Compensation.

4.2 Changes by Plan Administrator

If the Plan Administrator determines, before or during any Plan Year, that the Plan may fail to satisfy for such Plan Year any nondiscrimination requirement imposed by the Code (including, but not limited to, IRC Section 125, which prohibits discrimination in favor of highly compensated individuals and key employees), the Administrator shall take such action as the Administrator deems appropriate, under rules uniformly applicable to similarly situated Participants, to assure compliance with such requirement. Such action may include, without limitation, a modification of elections by highly compensated individuals and key employees with or without the consent of such Employees.

4.3 Maximum Premium Conversion Benefit

The maximum benefit subject to Salary Reduction for the Section 125 Premium Conversion Plan is the amount of the premiums for the Group Benefit Plans identified in Schedule A that the Employee has enrolled in and elected for participation in this Plan. Premiums will be adjusted not more than once per year beginning on the sixteenth (16th) Pay Period, unless mid-year premium increases

are required due to imposition of state or federal taxes or are required due to rate changes imposed under the health care contracts with the County. The term "premium cost," as used in the Plan, means the Participant's share of the cost of the coverage as determined by the Plan Administrator.

PART FIVE: ADMINISTRATION OF PLAN

5.1 Plan Administrator

The administration of the Plan shall be under the supervision of the Plan Administrator. It shall be a principal duty of the Administrator to see that the Plan is carried out, in accordance with its terms, for the exclusive benefit of persons entitled to participate in the Plan, without discrimination among them. The Administrator shall have the exclusive right to interpret and administer the Plan and to decide all matters arising hereunder, including the right to remedy possible ambiguities, inconsistencies, or omissions, subject to applicable requirements of law. For this purpose, the Administrator's powers shall include, but shall not be limited to, the following authority, in addition to all other powers provided by this Plan:

- (a) To make and enforce such rules and regulations, as it deems necessary or proper for the efficient administration of the Plan, including the establishment of any claims procedures that may be required by applicable provisions of law;
- (b) To interpret the Plan and all questions of fact, its interpretation thereof in good faith to be final, binding and conclusive on all persons claiming benefits under the Plan;
- (c) To decide all questions concerning the Plan and the eligibility of any person to participate in the Plan;
- (d) To request and receive from all Employees and Participants such information as the Plan Administrator shall from time to time determine to be necessary for the proper administration of this Plan;
- (e) To receive, review and maintain such books of accounts, records, data or other information concerning the benefits covered by this Plan as the Administrator determines from time to time to be necessary and proper for the purposes of disclosure and reporting requirements;
- (f) To sign documents or to designate an individual or individuals to sign documents for the purposes of administering this Plan;
- (g) To appoint such agents, counsel, accountants, consultants and other persons

as may be required to assist in administering the Plan; and

- (h) To allocate and delegate its responsibilities under the Plan and to designate other persons to carry out any of its responsibilities under the Plan, any such allocation, delegation or designation to be in writing.

5.2 Examination of Records

The Plan Administrator shall make available to each Participant upon reasonable request for examination at reasonable times during normal business hours Participant's records under the Plan.

5.3 Reliance on Tables, etc.

In administering the Plan, the Administrator shall be entitled, to the extent permitted by law, to rely conclusively on all tables, valuations, certificates, opinions and reports which are furnished by accountants, legal counsel or other experts employed or engaged by the Administrator.

5.4 Disclosure Rights

Participants have the right to inspect, at no charge, the plan document and summary plan description at the office of the Plan Administrator and/or receive, upon written request, a copy of the plan document(s) and summary plan description(s) pertaining to this Plan. The Plan Administrator may impose a reasonable charge for the copies.

PART SIX: AMENDMENT AND TERMINATION OF PLAN

6.1 Amendment

The County, at any time or from time to time, may amend or restate any or all of the provisions of the Plan without the consent of any Employee or Participant. However, no amendment, modification or termination will reduce retroactively the benefits of any Participant under the Plan to the extent such amounts are payable under the terms of the Plan in compliance with Section 125 of the Internal Revenue Code as determined by the Plan Administrator that are in effect prior to the Pay Period for which the Plan is terminated or amended. Any amendment or termination shall take effect only at the end of a Pay Period, subject to the Plan Administrator's power to administer this Plan. The County shall adopt amendments in writing, including the date of adoption, signed by its duly authorized officers. The amendments, if appropriate, shall be attached to this Plan or the Plan shall be restated and amended in its entirety, as the County shall determine is appropriate.

6.2 Termination

The County has established this Plan with the intent that it will be maintained for an indefinite period of time. Notwithstanding the foregoing, the County reserves the right to terminate the Plan, in whole or in part, at any time.

PART SEVEN: MISCELLANEOUS PROVISIONS

7.1 No Employment Guarantee

Neither the establishment of the Plan nor any modification thereof, nor the creation of any fund or account, nor the payment of any benefits shall be construed as giving to any Participant or other person any legal or equitable right against the County except as herein provided. Under no circumstances shall the terms of employment of any Participant be modified or in any way affected hereby. The maintenance of the Plan shall not constitute a contract of employment. Participating in the Plan will not give any Participant a right to be retained in the employ of the County.

7.2 Limitation on Liability

Neither the establishment of the Plan nor any amendment thereof, nor the payment of any benefits, shall be construed as giving to any Participant or other person any legal or equitable rights against the Plan Administrator, except as expressly provided herein or as provided by applicable federal law.

7.3 Nonassignability

Qualified Benefits are not in any way subject to the debts or other obligations of the persons entitled thereto and may not voluntarily or involuntarily be sold, transferred or assigned. No person shall have any right, title or interest in any property of the County or to any Salary Reduction under this Plan prior to the payment of Qualified Benefits to such person.

7.4 Addresses, Notice, Waiver of Notice

Each Participant must file with the Plan Administrator, in writing, his or her home mailing address. Any communications, statement or notice addressed to such a person at his or her last home mailing address as filed with the Administrator shall be binding upon such person for all purposes of the Plan, and the County shall not be obliged to search for or ascertain the whereabouts of any such person. The person entitled to a notice may waive any notice required under the Plan.

7.5 Data

Each Participant must furnish the County such documents, evidence or information, as the County considers necessary or desirable for the purpose of administering the Plan or to protect the County, or other organization or institution providing benefits under the Plan. Evidence required of anyone under the Plan shall be signed, made, or presented by the proper party or parties within the time frame specified by the Plan Administrator and may be a certificate, affidavit, document or other information which the person acting thereon considers pertinent and reliable.

7.6 Mistake of Fact

Any mistake of fact or misstatement of fact shall be corrected when it becomes known, and proper adjustment made by reason thereof; however, under no circumstances will pay be adjusted retroactively.

7.7 Withholding for Taxes

Notwithstanding any other provision of the Plan, the County or institution providing Qualified Benefits may withhold from any payment to be made such amount or amounts as may be required for purposes of complying with the tax withholding provisions of the Code, any state's income tax act or any other applicable laws.

7.8 Severability

If any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if such illegal and invalid provisions had never been set forth in the Plan.

7.9 Applicable Law

The Plan shall be constructed according to the Internal Revenue Code of 1986, as amended from time to time and as construed, interpreted and modified by regulations or rulings promulgated thereunder. The Plan is intended to constitute a plan meeting the requirements of IRC Section 125. To the extent not inconsistent therewith, the Plan shall be construed according to the laws of the State of California, without regard to their choice of law rules.

7.10 Tax Effects

Neither the County nor the Plan Administrator makes any warranty or other

representation as to whether any payments made to or on behalf of any Participant hereunder will be treated as excludable from gross income for state or federal income tax purposes.

7.11 Gender

A pronoun or adjective in the masculine gender includes the feminine gender, and the singular includes the plural, unless the context clearly indicates otherwise.

7.12 Entire Agreement

This document (including Schedule A or documents expressly incorporated by reference or attached hereto) sets forth the entire Plan. Except as provided in this Plan, no other employee benefit plan, which is or may hereafter be maintained by the County on a non-elective basis shall constitute a part of this Plan.

7.13 Headings

Headings are for the purpose of convenience only and shall not affect interpretation.

7.14 Plan Funding

All amounts payable under this Plan for Group Benefit Plans premiums shall be paid from the general assets of the County. The County shall pay all Plan expenses.

IN WITNESS WHEREOF, the County of San Bernardino has executed this Plan Document as of March 25, 2008.

COUNTY OF SAN BERNARDINO

Paul Biane, Chairman, Board of Supervisors

Dated: _____

SCHEDULE A

QUALIFIED BENEFITS

I. Health Benefits

Medical Plans

- Health Net PPO, for insured medical benefits
- Health Net ELECT Open Access, for prepaid medical benefits
- Kaiser Permanente Health Plan, for prepaid medical benefits

Dental Plans

- Delta Care USA Dental Plan, for prepaid dental benefits
- Delta Dental PPO Plan, for self-funded dental benefits

II. Welfare Benefits

- Hartford Life for Accidental Death and Dismemberment Insurance
- Hartford Life for Voluntary Term Life Insurance

The Plan Administrator may amend this list of providers and the benefits provided through each contract from time to time.